Fiscal Year 2016-17	Business Unit 1701	Department Business Oversight	Priority No. 2

Budget Request Name 1701-002-BCP-BR-2016-GB	Program Executive	Subprogram Information Technology Office

Budget Request Description
Department of Corporations Quality Network (DOCQNET) System Support

Budget Request Summary

The Department of Business Oversight (DBO) requests two years of funding for seven permanent positions and $1.1 million for continual support of the Department of Corporations Quality Network (DOCQNET) system. These positions are funded out of the State Corporations Fund 0067.

Requires Legislation ☐ Yes ☒ No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? ☒ Yes ☐ No *If yes, departmental Chief Information Officer must sign.*	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

☐ FSR   ☐ SPR   Project No.   Date:

If proposal affects another department, does other department concur with proposal?   ☐ Yes   ☐ No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By George Gaborek	Date 12/16/15	Reviewed By Betsy Barnhart	Date 12/16/15
Department Director Jan Lynn Owen	Date 12-16-2015	Acting Agency Secretary Alexis Podesta	Date 12/18/15

BCP Fiscal Detail Sheet

BCP Title: Department of Corporations Quality Network (DOCQNET) System

DP Name: 1701-002-BCP-DP-2016-GB

Budget Request Summary

	CY	BY	BY+1	BY+2	BY+3	BY+4
			FY16			
Positions - Permanent	0.0	7.0	7.0	0.0	0.0	0.0
Total Positions	**0.0**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**
Salaries and Wages						
Earnings - Permanent	0	530	530	0	0	0
Total Salaries and Wages	**$0**	**$530**	**$530**	**$0**	**$0**	**$0**
Total Staff Benefits	0	219	219	0	0	0
Total Personal Services	**$0**	**$749**	**$749**	**$0**	**$0**	**$0**
Operating Expenses and Equipment						
5301 - General Expense	0	112	112	0	0	0
5302 - Printing	0	7	7	0	0	0
5304 - Communications	0	7	7	0	0	0
5306 - Postage	0	7	7	0	0	0
5320 - Travel: In-State	0	7	7	0	0	0
5322 - Training	0	35	35	0	0	0
5324 - Facilities Operation	0	98	98	0	0	0
5344 - Consolidated Data Centers	0	7	7	0	0	0
5346 - Information Technology	0	49	49	0	0	0
Total Operating Expenses and Equipment	**$0**	**$329**	**$329**	**$0**	**$0**	**$0**
Total Budget Request	**$0**	**$1,078**	**$1,078**	**$0**	**$0**	**$0**

Fund Summary

	CY	BY	BY+1	BY+2	BY+3	BY+4
Fund Source - State Operations						
0067 - State Corporations Fund	0	1,078	1,078	0	0	0
Total State Operations Expenditures	**$0**	**$1,078**	**$1,078**	**$0**	**$0**	**$0**
Total All Funds	**$0**	**$1,078**	**$1,078**	**$0**	**$0**	**$0**

Program Summary

	CY	BY	BY+1	BY+2	BY+3	BY+4
Program Funding						
1510 - Investment Program	0	593	593	0	0	0
1515 - Lender-Fiduciary Program	0	485	485	0	0	0
9900100 - Administration	0	1,078	1,078	0	0	0
9900200 - Administration - Distributed	0	-1,078	-1,078	0	0	0

Total All Programs	$0	$1,078	$1,078	$0	$0	$0

Personal Services Details

Positions		Salary Information			CY	BY	BY+1	BY+2	BY+3	BY+4
		Min	Mid	Max						
1312 -	Staff Info Sys Analyst (Spec) (Eff. 07-01-2016)				0.0	2.0	2.0	0.0	0.0	0.0
1337 -	Sr Info Sys Analyst (Spec) (Eff. 07-01-2016)				0.0	1.0	1.0	0.0	0.0	0.0
1373 -	Sys Software Spec II (Tech) (Eff. 07-01-2016)				0.0	1.0	1.0	0.0	0.0	0.0
1579 -	Assoc Programmer Analyst (Spec) (Eff. 07-01-2016)				0.0	1.0	1.0	0.0	0.0	0.0
1583 -	Sr Programmer Analyst (Spec) (Eff. 07-01-2016)				0.0	1.0	1.0	0.0	0.0	0.0
1587 -	Sys Software Spec I (Tech) (Eff. 07-01-2016)				0.0	1.0	1.0	0.0	0.0	0.0
Total Positions					**0.0**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**

Salaries and Wages		CY	BY	BY+1	BY+2	BY+3	BY+4
1312 -	Staff Info Sys Analyst (Spec) (Eff. 07-01-2016)	0	147	147	0	0	0
1337 -	Sr Info Sys Analyst (Spec) (Eff. 07-01-2016)	0	81	81	0	0	0
1373 -	Sys Software Spec II (Tech) (Eff. 07-01-2016)	0	81	81	0	0	0
1579 -	Assoc Programmer Analyst (Spec) (Eff. 07-01-2016)	0	67	67	0	0	0
1583 -	Sr Programmer Analyst (Spec) (Eff. 07-01-2016)	0	81	81	0	0	0
1587 -	Sys Software Spec I (Tech) (Eff. 07-01-2016)	0	73	73	0	0	0
Total Salaries and Wages		**$0**	**$530**	**$530**	**$0**	**$0**	**$0**

Staff Benefits							
5150350 -	Health Insurance	0	48	48	0	0	0
5150500 -	OASDI	0	31	31	0	0	0
5150600 -	Retirement - General	0	103	103	0	0	0
5150800 -	Workers' Compensation	0	4	4	0	0	0

5150900 - Staff Benefits - Other	0	33	33	0	0	0
Total Staff Benefits	**$0**	**$219**	**$219**	**$0**	**$0**	**$0**
Total Personal Services	**$0**	**$749**	**$749**	**$0**	**$0**	**$0**

A. Budget Request Summary

This Budget Change Proposal requests two years of funding for seven permanent positions and $1.1 million for continual support, improved security, and the incorporation of the existing Division of Financial Institutions legacy systems into the Department of Corporations Quality Network (DOCQNET) system. These positions are funded out of the State Corporations Fund 0067.

B. Background/History (Provide **relevant** background/history and provide program resource history. Provide workload metrics, if applicable.)

The former Department of Corporations (now a Division of the Department of Business Oversight) provides protections to consumers through the licensing and regulation of securities brokers and dealers, investment advisers, mortgage lenders, deferred deposit or "payday" lenders, escrow companies, and certain other fiduciaries. The Department also regulates the offer and sales of securities, franchises and off-exchange commodities.

In 2009, the Department of Corporations was granted approval to develop and implement the Department of Corporations Quality Network (DOCQNET) system. Due to an administration change, the project was initiated in 2012 with a Special Project Report (SPR 2180-14) and approved Budget Change Proposal (BCP 2180-2), and the DOCQNET system was implemented in June 2014. With the implementation of DOCQNET, the Department was able to replace 78 of its antiquated licensing and case management systems with a custom-off-the-shelf software solution that provides a central repository for data storage, workflow and integration processes across business units and workgroups. The DOCQNET system allows the Department to conduct its necessary and growing regulatory functions, which include revenue collection, enforcement actions, and licensee examinations and licensing. The DOCQNET system is also designed to allow users to process license applications, complaints, and forms electronically, thus reducing the State's paper footprint.

The former Department of Financial Institutions (now a Division of the Department of Business Oversight) oversees the operations of state-licensed financial institutions, including banks, credit unions, and money transmitters. This includes processing applications for licensure and examination of the institutions to ensure safety and soundness of the institutions and the protection of California consumers.

In July 2013, as part of the Governor's Reorganization Plan 2 (GRP2), the Department of Financial Institutions and the Department of Corporations merged to form the Department of Business Oversight (DBO). Subsequently, the Information Technology Office's (ITO) workload dramatically increased as ITO began the ongoing process of consolidating two disparate networks and infrastructures into one. As a result, the demands on existing permanent ITO staff became such that they were unable to contribute any significant resources to the DOCQNET project; therefore, positions were requested in order to handle the substantial workload increase, and seven (7) limited-term positions were approved.

DOCQNET's initial implementation occurred in January 2014, at which time the user community began to submit requests for help support. During DOCQNET's initial implementation for fiscal year 2013-14, 1,125 DOCQNET help support tickets were submitted, which amounted to 5,280 contractor hours (or 3 PY) of effort. An additional 2,746 help support tickets (5,386 hours) were submitted the following fiscal year 2014-15. Due to ITO's existing resources supporting the Division of Financial Institutions' legacy systems and GRP 2 activities (15,840 hours, or 9 PY for FY 2013-14) and not being able to fully fill all of its limited-term positions at any given time due to turnover (resources that obtained permanent civil service positions with other agencies), DOCQNET's development contractor absorbed 90% to 95% of all the help support workload, along with efficiency and improvement request activities.

The Division of Financial Institutions' legacy systems encompasses over three dozen databases, spreadsheets, and outdated web systems, which include systems for processing applications and licenses, scheduling examinations, managing financial institution examinations, and various other functions used to ensure the safety and soundness of financial institutions in the State and the protection of the California consumers.

DOCQNET originally only encompassed the Department, now Division, of Corporations and did not include any Department, now Division, of Financial Institutions' systems. In addition, DOCQNET was not originally

designed with the original Department of Technology's Office of Information Security (OIS) standards in regards to privacy and security standards.

Resource History
(Dollars in thousands)

Program Budget	2009-10 *	2010-11 *	2011-12 **	2012-13	2013-14	2014-15	2015-16
Authorized Expenditures	632	3,072	3,879	4,297	1,755	0	0
Actual Expenditures	0	0	164	221	1,228	N/A	N/A
Revenues	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Authorized Positions	2	7	7	7	7	7	0
Filled Positions	0	0	0	0	7	7	0
Vacancies	2	7	7	7	0	0	0

* The DOCQNET project was initiated in 2012-13, therefore, no expenditures were incurred in 2009-10 and 2010-11.

** Expenditures include costs for equipment and work completed on Invitation For Bid (IFB) to initiate the project.

Workload History

Workload Measure	2010-11 *	2011-12 *	2012-13 *	2013-14		2014-15		2015-16 (Projected)	
				Non-DOCQNET	DOCQNET	Non-DOCQNET	DOCQNET	Non-DOCQNET	DOCQNET
# of Support Tickets	N/A	N/A	N/A	9,287	1,125	11,263	2,746	11,300	3,600
IT Help Support (hours) (11 existing internal PY)	N/A	N/A	N/A	15,840	5,280	16,157	5,386	16,480	5,494
Application Development Support (hours) (6 existing internal PY)	N/A	N/A	N/A	7,040	9,240	7,950	10,120	8,109	10,850
Database Support (hours) (1 existing internal PY)	N/A	N/A	N/A	880	1,760	898	1,795	916	1,831
Network Support (hours) (7 existing internal PY)	N/A	N/A	N/A	10,560	1,272	10,771	1,476	11,224	1,685
Project Management Support (hours) (2 existing internal PY)	N/A	N/A	N/A	2,640	1,760	2,640	1,760	2,640	1,760
Total Hrs.	N/A	N/A	N/A	56,272		58,953		60,989	
PY Equivalent (Hrs./1760)	N/A	N/A	N/A	32.0		33.5		34.7	
Total Existing PY's	N/A	N/A	N/A	27.0		27.0		27.0	
Total PY's Needed	N/A	N/A	N/A	5.0		6.5		7.7	

* The DOCQNET project was initiated in 2012-13. Work was not performed until 2013-14.

C. State Level Considerations

The DBO is funded through assessments paid by licensees regulated by the DBO, and uses no General Fund monies. Fees will not increase as a result of this augmentation. The State Corporations Fund 0067 is sufficient to cover the costs. This BCP does not impact the DBO's current policies, priorities, or initiatives. Furthermore, no other state department will be impacted as a result of the implementation of this BCP. The DBO is charged with ensuring the safety, soundness and compliance with state laws and regulations of financial institutions, services, and professionals in California. This proposal is consistent with DBO's goals:

- To promote a strong financial services marketplace through leadership, direction, and oversight;

- To improve business systems affecting the DBO, the licensees and the public; and,

- To maintain the confidence and trust in the financial services marketplace while meeting the changing needs of the industry.

State laws under which the DBO operates were established to protect the public and to maintain a minimum level of fiscal responsibility and corporate integrity by the DBO licensees. The DBO provides consumer services to extend this accountability to the public.

D. Justification

DOCQNET is an enterprise system that paved the way for the DBO to increase efficiencies to its Division of Corporation's customers, stakeholders, and program staff. However, the DOCQNET system did not originally include any of the Division of Financial Institutions' legacy applications since the system's development occurred prior to the GRP 2. The DOCQNET system encapsulates the Division of Corporation's core business functionalities and processes, similar to those of the Division of Financial Institution's. Hence, the GRP 2 has provided the means for the functions of both the Division of Corporations and the Division of Financial Institutions to become more fully integrated. Adding the Division of Financial Institutions legacy systems into DOCQNET will allow the DBO to realize increased efficiencies both for the State and the public.

Since the initial implementation of DOCQNET, the Department of Technology's OIS has implemented new information systems security standards; including enhanced privacy and security guidelines in regards to data encryption and privacy notifications. Increased security for the transferring and collection of customer's sensitive data to and from the DBO's application systems has also been a high priority for the Department's Commissioner. The DOCQNET system will need continual security enhancements and monitoring to provide the highest system security for its customers.

As was stated earlier, due to the GRP 2, the Information Technology Office's daily workload dramatically increased as ITO began the ongoing process of consolidating two disparate networks and operational activities into one. Thus, the current support and maintenance of the DOCQNET system lies heavily on outside contracting service support. The purpose of this BCP request is to provide the minimal necessary IT resources to continue support and maintenance, increase data security, and incorporate all Departmental programs that have similar core business processes into the DOCQNET system.

The seven (7) limited-term information technology positions designated to provide support for the implementation of the DBO's mission-critical DOCQNET system expired at the end of fiscal year 2014-15. Due to the loss of the seven positions, DOCQNET's development contractor continues to absorb 90% to 95% of all the help support along with efficiency and improvement request activities.

The development contractor's service contract expires at the end of fiscal year 2017-18, and it is critical for DBO to fully support DOCQNET. Workload associated with supporting the DOCQNET system has not diminished but, in fact, has been increasing.

Due to the complexity of DOCQNET, the knowledge transfer process to internal staff and the extensive training to expand and support the system will take approximately one to two years. These positions require extensive training and experience in Microsoft's Dynamic Customer Relations Management (CRM) and SharePoint software solutions. Granting two years of funding will give the DBO the needed time to transfer the duties from the contractor to the DBO.
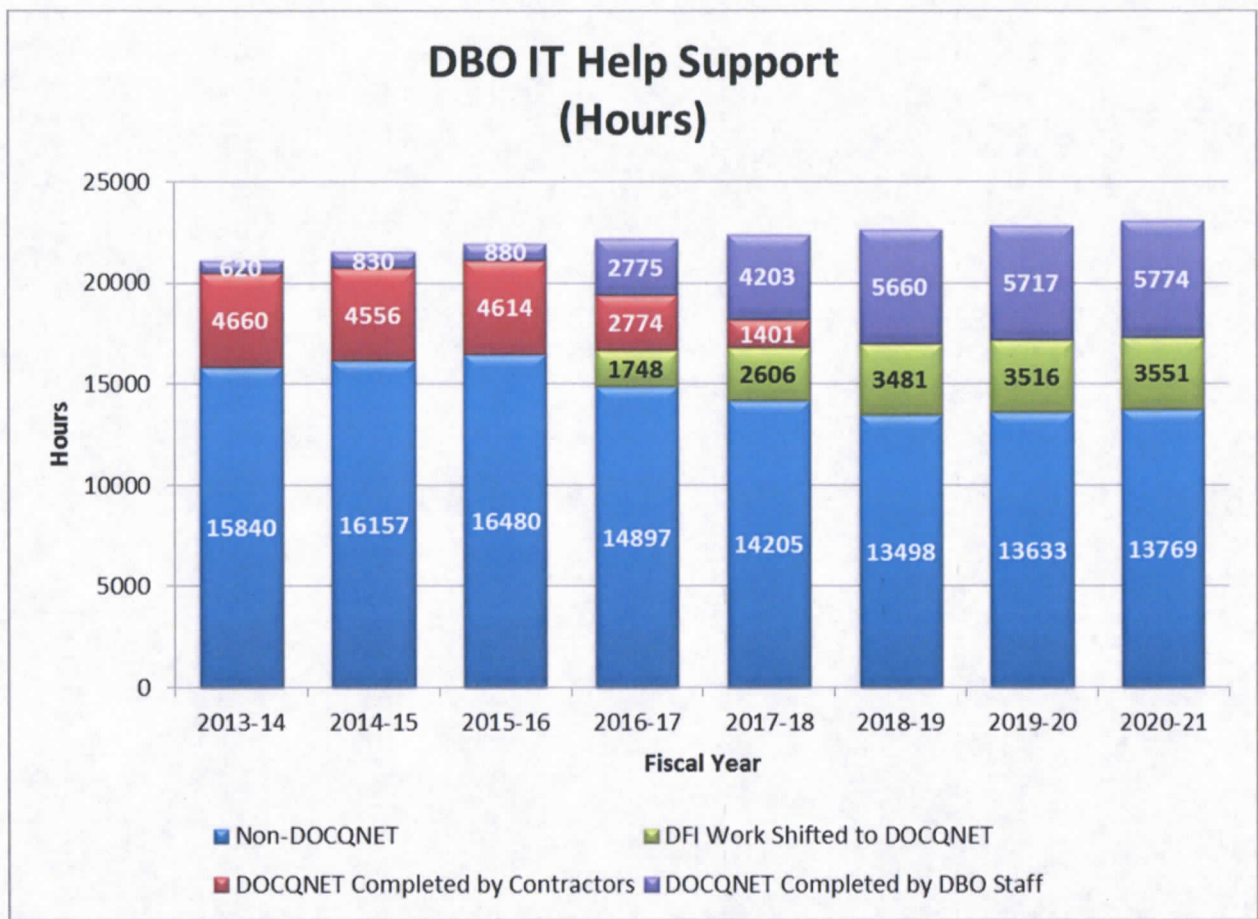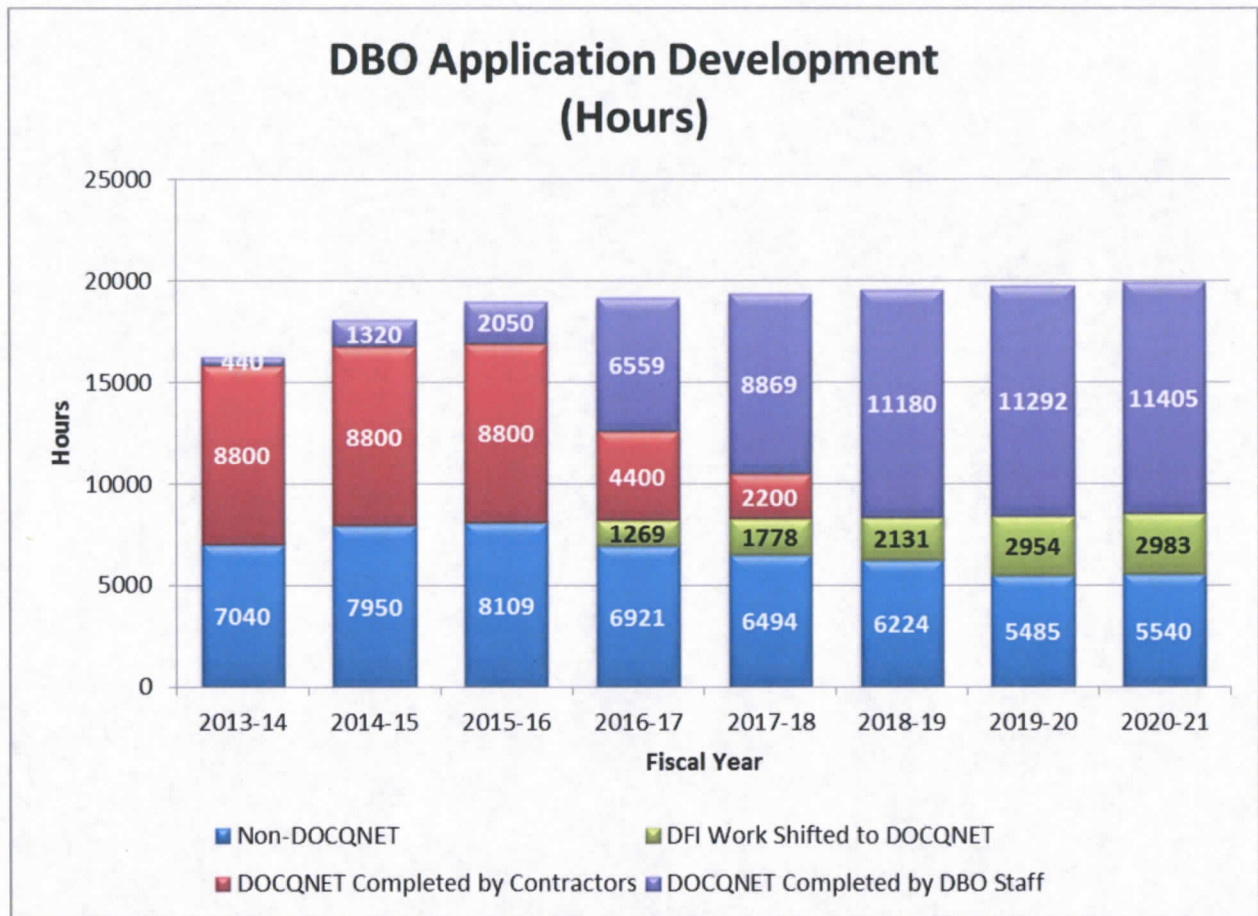
Figure 1

DBO IT Help Support (Hours) — stacked bar chart showing Hours by Fiscal Year.

Fiscal Year	Non-DOCQNET	DFI Work Shifted to DOCQNET	DOCQNET Completed by Contractors	DOCQNET Completed by DBO Staff
2013-14	15840		4660	620
2014-15	16157		4556	830
2015-16	16480		4614	880
2016-17	14897	1748	2774	2775
2017-18	14205	2606	1401	4203
2018-19	13498	3481		5660
2019-20	13633	3516		5717
2020-21	13769	3551		5774

Figure 1 reflects the current and future help support hours spent by contractors and DBO ITO staff resolving user requests. These requests were measured by user-submitted DOCQNET system help support tickets. The DBO's goal is to transfer 50 percent of the contractor duties to permanent civil service staff in fiscal year 2016-17 and the remainder in fiscal year 2017-18. Also, as the legacy DFI systems are integrated into DOCQNET, existing ITO positions responsible for supporting the current DFI systems will transition to supporting the DFI modules introduced into DOCQNET.
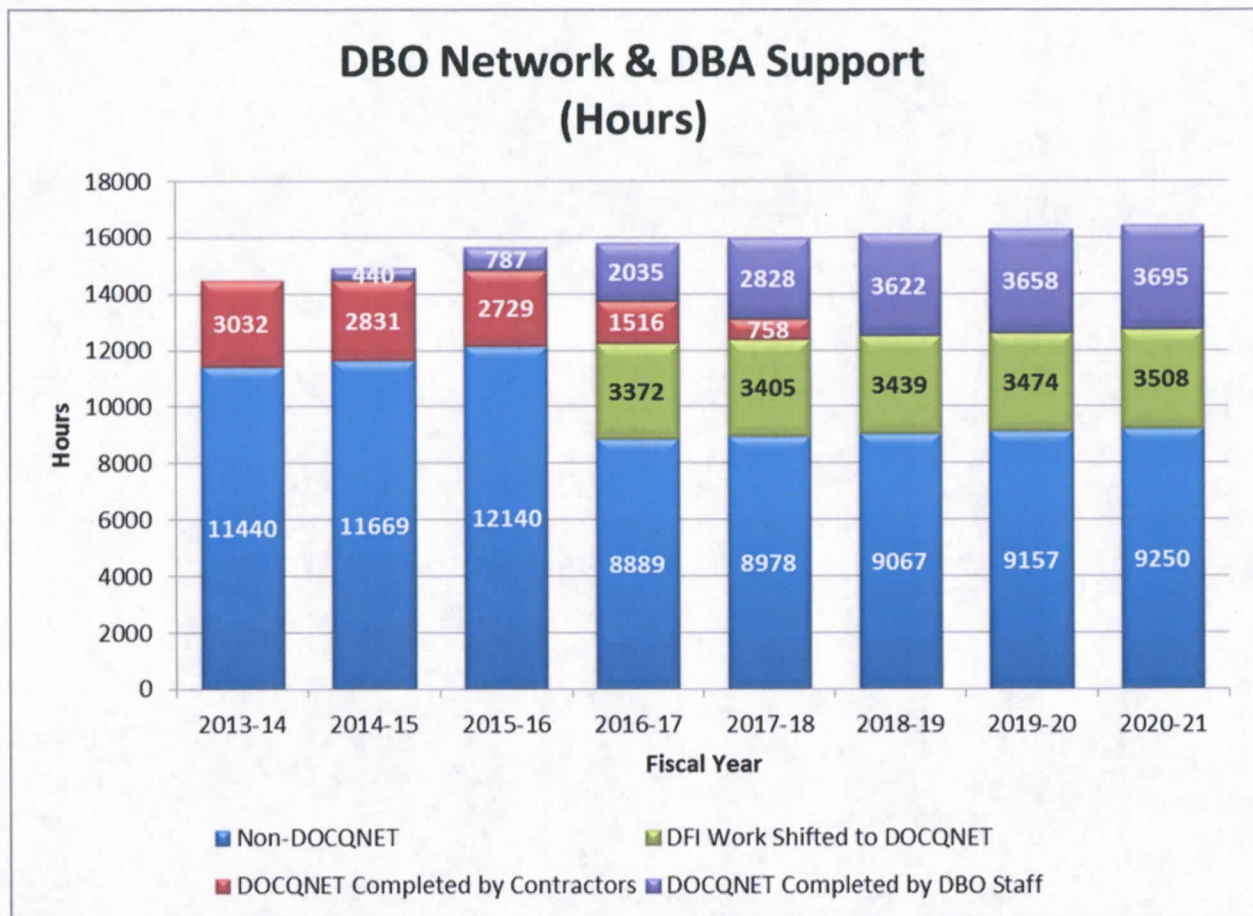
Figure 2

DBO Application Development (Hours)

Similarly, Figure 2 reflects the number of contractor and DBO ITO staff hours for current and future application development support requests. These requests were also measured by user-submitted DOCQNET system application development support tickets. Two years of funding will allow the DBO the ability to begin the transition from contracting services to permanent civil service staff to support the DOCQNET system. 50 percent of the contractor duties transition to these staff in fiscal year 2016-17 and the remainder in fiscal year 2017-18.

At the time of initial implementation in January 2014, the user community began to submit requests for efficiency and productivity improvements. Initially the majority of requests were developed and tested by the contractor, with DBO staff gradually taking on a higher percentage of the requests. The numbers in Figure 2 reflect the hours spent by DBO staff developing and testing them. Again, as the legacy DFI systems are integrated into DOCQNET, existing ITO positions responsible for developing and maintaining the current DFI systems will transition to supporting the DFI modules introduced into DOCQNET.

Figure 3

DBO Network & DBA Support
(Hours)

Monthly workload hours for ITO's network (including network engineers and database administrators) and network service support staff (depicted in Figure 3 above) were measured through the departmental timekeeping system. With the centralization of the departmental data through the DOCQNET enterprise system, the need to extract reportable data has steadily increased. Similarly, the project management and network maintenance of the system has also increased, due to the increased demands in performance improvements and efficiencies.

Much of the increased workload hours can be attributed to DBO program users becoming more familiar with the system, discovering more bugs/issues, and requesting additional efficiency and productivity improvements.

Approximately 99 percent, or 51,165 of the 51,771 licensees, are tracked and managed within DOCQNET, and without these positions, ITO will be unable to provide adequate maintenance and support for the licensing, enforcement, and examination activities within the DOCQNET system, especially as DOCQNET expands to encompass DFI systems, and upgrades the system's security. As a result, the DBO's stakeholders, comprised of the State's consumers and licensees, will experience delays in reporting and resolving consumer complaints, responding to and complying with enforcement actions, and processing applications for new and renewed licenses. The resolution of system problems (bugs) and the development of improvements and required changes to the system will also be heavily impacted without the requested seven permanent positions.

Having permanent positions will allow the DBO to integrate DFI legacy systems into DOCQNET, resulting in increased efficiencies and productivity, bring the security of the system up to the latest Department of Technology OIS standards, while continuing to provide ongoing DOCQNET support, such as help desk response, application maintenance, database administration, management reporting, system administration and other activities across the DBO's seven locations.

The DBO is special-funded through licensing fees and assessments, and the DOCQNET system is both utilized and funded by the State Corporations Fund. There is no impact to the State's General Fund. No additional fees to the stakeholders are required, nor are they being requested. There are no legal issues, and no actions required by other agencies. No law needs to be added, amended, or repealed.

E. Outcomes and Accountability *(Provide summary of expected outcomes associated with Budget Request and provide the projected workload metrics that reflect how this proposal improves the metrics outlines in the Background/History Section.)*

Approval of this request will allow the DBO to upgrade and support DOCQNET with internal staff and current contracting services, enhance security, and integrate the DFI business processes. The current contracting services will end in fiscal year 2017-18. The DBO will continue to compile metrics to determine if additional resources are required at a later time.

Outcomes will be measured and monitored through the completion of customer support tickets, bug fixes, and improvement requests by the DOCQNET support positions, as opposed to the hired consultants or existing permanent DBO information technology staff.

The DBO's timekeeping system will also be used to monitor the project management, contract management, database support, and network support positions.

Figure 4   **Projected Outcomes**

Workload Measure	2015-16		2016-17		2017-18		2018-19		2019-20		2020-21	
	Non-DOCQNET	DOCQNET	Non-DOCQNET	DOCQNET	Non-DOCQNET	DOCQNET	Non-DOCQNET	DOCQNET	Non-DOCQNET	DOCQNET	Non-DOCQNET	DOCQNET
# of Support Tickets	11,300	3,600	11,413	3,636	11,527	3,672	11,642	3,709	11,758	3,746	11,876	3,783
IT Help Support (hours) (11 existing internal PY)	16,480	5,494	16,645	5,549	16,811	5,604	16,979	5,660	17,149	5,717	17,320	5,774
Application Development Support (hours) (6 existing internal PY)	8,109	10,850	8,190	10,959	8,272	11,069	8,355	11,180	8,439	11,292	8,523	11,405
Database Support (hours) (1 existing internal PY)	916	1,831	925	1,849	934	1,867	943	1,886	952	1,905	962	1,924
Network Support (hours) (7 existing internal PY)	11,224	1,685	11,336	1,702	11,449	1,719	11,563	1,736	11,679	1,753	11,796	1,771
Project Management Support (hours) (2 existing internal PY)	2,640	1,760	2,666	1,778	2,693	1,796	2,720	1,814	2,747	1,832	2,774	1,850
Total Hrs.	**60,989**		**61,599**		**62,214**		**62,836**		**63,465**		**64,099**	
PY Equivalent (Hrs./1760)	34.7		35.0		35.3		35.7		36.1		36.4	
Total Existing PY's	27.0		27.0		27.0		27.0		27.0		27.0	
Total PY's Needed	**7.7**		**8.0**		**8.3**		**8.7**		**9.1**		**9.4**	

The numbers in the chart above (Figure 4) represent the estimated number of hours to resolve customer requests by DBO staff through 2021. Forecasted figures include a conservative 1 percent increase in request submittals and time spent per year going forward, although expecting a significant increase in

submittals handled by the DBO (with a corresponding increase in time spent) when the contractor has turned over all support to the DBO in fiscal year 2017-18.

F. Analysis of All Feasible Alternatives

1. Approve two years of funding for seven permanent positions. This alternative ensures that the system continues to be supported without loss of functionality or delays in service, improves security in the DOCQNET system, and allows the integration of DFI business processes.

   Pros:

   - Continued uninterrupted support for DOCQNET
   - Allows DBO to upgrade the security of the system to the latest OIS standards
   - Provides adequate resources to integrate DFI systems into DOCQNET
   - Staff knowledge and skill set retention required to maintain DOCQNET
   - DBO is special funded and does not use General Fund dollars
   - DBO will meet its responsibility and provide timely responses to consumers and licensees
   - Maintain system integrity and performance through timely support, bug fixes, and enhancement requests

   Cons:

   - These positions will increase costs and must be funded into the future

2. Redirect staff from another program. This alternative converts program positions into information technology positions.

   Pros:

   - The DBO will no longer require the funding needed to support the positions, which will potentially reduce costs

   Cons:

   - No excess positions available to convert to information technology positions
   - Even if there were excess positions, converting program positions to information technology would hinder the programs' ability to perform their statutory functions

3. Hire vendors to expand, support, and enhance the security of the DOCQNET system.

   Pros:

   - The DBO will no longer require the funding needed to support the positions, which will potentially reduce staff costs

   Cons:

   - Increased overall cost to the department due to higher overhead, such as salaries and travel costs
   - This alternative would require DBO to outsource work that can be performed by state employees
   - Institutional knowledge would reside within temporary contractors, not permanent state employees. There would be a learning curve associated with each new contract let to support the system

G. Implementation Plan

The DBO will begin the hiring process after the request for the positions is approved and the budget is enacted.

H. Supplemental Information (*Describe special resources and provide details to support costs including appropriate back up.*)

The additional positions will be accommodated by existing facilities.

I. Recommendation

Adopt alternative #1 – Approve two years of funding for seven permanent positions. This alternative ensures that the system continues to be supported without loss of functionality or delays in service, improves security in the DOCQNET system, and allows the integration of DFI business processes.